



The Consumer Council

“Quote... Unquote”



The Consumer Council

**The cost of insurance  
in Northern Ireland**  
A research report from  
the Consumer Council  
March 2009



# Acknowledgements

The Consumer Council would like to extend our sincere thanks and appreciation to the many consumers who gave their time and views in order to help shape this report. In return, we will ensure that their voice is heard and that it counts in the shaping of our future work.

We would also like to thank the Financial Inclusion Centre, Association of British Insurers, British Insurance Brokers' Association, Department of Enterprise, Trade and Investment, Financial Inclusion Taskforce Secretariat, HM Treasury, the Northern Ireland Financial Capability Partnership<sup>1</sup>, Financial Services Authority, Judicial Studies Board for Northern Ireland, The Law Society of Northern Ireland, Northern Ireland Law Commission, Northern Ireland Housing Executive, Office of Fair Trading and the Office of First Minister and deputy First Minister for their invaluable contributions and help throughout the research.

This research and engagement is not a one-off event but a process of continuous listening, discussion and feedback. Anyone who wishes to comment on this report or the issue of insurance in general can do so by contacting:

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Copies of this report are available in alternative formats on request.

<sup>1</sup> See Appendix II for the membership of the Northern Ireland Financial Capability Partnership.

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## Executive summary

The Consumer Council is committed to driving change to benefit consumers and make sure they get the best deal possible in the marketplace whether it's on the high street, in banking or other financial products such as insurance.

The Consumer Council has conducted a review of the insurance market as a result of consumers and local politicians raising their concerns that people here are paying more for insurance than people in Great Britain (GB). This view is often fuelled or prompted by advertisements for great insurance deals that exclude Northern Ireland.

The purpose of this research is to identify whether consumers in Northern Ireland pay more than consumers in GB for car, contents, buildings, life, health, income protection, travel, dental and pet insurance<sup>1</sup>.

Our research shows that there is great cause for concern. When compared against consumers in GB, consumers here:

- Pay 39 per cent more for insurance<sup>2</sup>, in particular consumers who live in low income and rural areas;
- Have less choice of insurance providers. There are three times fewer companies offering car insurance in Northern Ireland; and
- Are more likely not to be insured, in particular low income consumers who may be financially excluded<sup>3</sup>.

However, the Consumer Council's research shows that even though we pay more compared to households in GB, significant savings can be made by those who are prepared to shop around or switch between insurance providers.

This research points to actions which must be taken to make sure that consumers here get a better deal now and in the future:

- Coordinated approach to increase the number of households with appropriate insurance;
- Concerted effort to get consumers shopping around for better deals; and
- Further investigation into why we are paying so much for our insurance.

1 There are many other insurance-related issues which are valid causes for concern but are outside the scope of this research.

2 The cost of car, contents and buildings insurance for households in Northern Ireland is on average 39 per cent more compared to the average cost for households in Great Britain.

3 *Managing Money: How does Northern Ireland add up? 2007*, The Consumer Council, (A research report based on the Financial Services Authority UK Baseline Survey)

## Consumers do pay more for insurance

Households in Northern Ireland pay a staggering £68 to £695<sup>4</sup> more to buy car, contents and buildings insurance than those in GB. All consumers here pay much more for car insurance, and some pay more for contents and buildings insurance, though the difference is not as stark. The significantly higher cost of car insurance means that even households who paid less for contents and buildings insurance are likely to pay more overall. When the cost of car, contents and buildings insurance is taken together:

- Households in low income areas of Northern Ireland pay 48 per cent more (£345 more) than households in low income areas of GB;
- Households in affluent areas pay 28 per cent more (£200 more) than comparable households in GB;
- Households in rural areas pay 62 per cent more (£362 more) than their counterparts in GB;
- Households in urban areas pay 25 per cent more (£207 more) than comparable households in GB.



4 Based on our research of the cost of insurance for 26 scenarios.

All households are paying more for the combined cost of car, contents and buildings insurance but there are particular areas where the consumer detriment is greater in the insurance market when compared to similar regions in GB. They are:

### 1. Car insurance

Consumers here were quoted premiums of £282 more or 84 per cent higher on average than comparable consumers in GB.

### 2. Households in low income areas

Households in low income areas here pay nearly 50 per cent more for insurance than their counterparts in GB and they are also more likely to be uninsured. They are more likely to need insurance protection and they are less likely to have savings to fall back on so not having insurance will have a devastating impact if something does go wrong.

### 3. Rural consumers

Households in rural areas of Northern Ireland pay 62 per cent more when the cost of car, contents and buildings insurance is put together. Despite this it is interesting to note that rural consumers are more likely to have insurance than consumers in urban areas.

### 4. Consumers without insurance

About a third of consumers in Northern Ireland do not have contents insurance or buildings insurance. Consumers on low incomes are less likely to have contents and buildings insurance than those on higher incomes. The cost of insurance is the main reason given by consumers on low incomes for not having contents and buildings insurance whereas those on a medium or higher income are more likely to say it is because they haven't got round to it or they don't see the need for insurance.

### 5. Lack of choice of insurance providers

Consumers in Northern Ireland have less choice of insurance providers, for example, there are three times fewer companies offering car insurance here.

### 6. Health related insurance

The cost of health related insurance products is dictated by levels of health rather than postcode. Consumers in Northern Ireland are more likely to smoke and be affected by ill health and lower life expectancy and as a result they pay more. The Northern Ireland Assembly's Lifetime Opportunities Strategy<sup>5</sup> has identified a link between living in poverty and having poor health. This means that consumers on low incomes are likely to be charged more for health related insurance products.



## **Consumers can make savings on insurance**

There is good news for consumers. Despite insurance costing more here, our research found that real savings can still be made by consumers who shop around or switch providers. Consumers could save a massive £389 per year on their car, contents and buildings insurance<sup>6</sup>.

## **What needs to be done**

It is clear that there are problems with insurance for consumers in Northern Ireland. Changes are needed in the insurance marketplace alongside addressing the problem of consumer inertia (ie not switching providers) and lack of financial capability. This will require coordinated action between the Government, the insurance industry, legal sector, consumer representatives and consumers themselves. Our recommendations for areas of priority action are as follows:

### **1. Increase insurance uptake and financial inclusion**

The worryingly low levels of uptake of appropriate insurance cover needs to be addressed as those without insurance are at risk should something go wrong. It is imperative that insurance products are simple to understand, easy-to-get and affordable for all consumers in order to increase financial inclusion and reduce financial hardship.

The Consumer Council will work in partnership with the Office of First Minister and deputy First Minister (OFMDFM), the insurance sector and others to ensure that insurance products available here are accessible and affordable.

The Consumer Council will advance partnerships with organisations such as the Northern Ireland Housing Executive, housing associations, credit unions and charities to reach financially excluded consumers and to encourage them to get insurance cover. Potential solutions such as Insurance with Rent schemes<sup>7</sup> are now familiar and widespread in GB and the Consumer Council will be further exploring their applicability here.

The Consumer Council will represent the particular needs of consumers in Northern Ireland to the Association of British Insurers (ABI). The ABI have made building consumer confidence their top priority over the next three years. We will also advocate for more relevant, clear and value for money insurance products with the Financial Services Authority (FSA), the insurance industry regulator.

<sup>6</sup> That's as much as £267 with car insurance, £70 with contents insurance and £52 with buildings insurance.

<sup>7</sup> Insurance with Rent Schemes allow tenants to pay for their home insurance weekly, fortnightly or monthly alongside their rent.

## 2. Promote shopping around and build financial capability

Empowered consumers have their part to play in making the insurance market here more competitive by shopping around and demanding better deals. Northern Ireland consumers are bottom of the league when it comes to being financially capable so effort will be required to build the skills, confidence and knowledge of all consumers, particularly those who are uninsured, to understand the importance of having proper insurance cover and how to shop around to get the best deal.

The Consumer Council will work in partnership with OFMDFM and the members of the Northern Ireland Financial Capability Partnership to develop a coordinated programme. The aim will be to increase the uptake of appropriate insurance cover for all consumers and to increase the levels of switching and shopping around for better deals.

The key messages for an awareness raising campaign will include:

- Explanations of the different types of insurance products;
- The risks of not being adequately insured;
- How to save money by shopping around; and
- Raising awareness of what you can do to lower your own insurance costs.

## 3. Further insurance market investigation

While our research identifies that consumers here have to pay more for insurance, it has not been possible to be definitive about the causes of the huge discrepancy in price. There are many suggestions as to why insurance in Northern Ireland costs more than elsewhere – the problem could lie with the practices of the insurance companies, the legal system, the way consumers buy insurance, consumer inertia or the postcode lottery<sup>8</sup> or any combination of the above. A thorough follow-up investigation is needed to provide recommendations and potential actions to be taken to lower insurance costs for all consumers and particularly those who are vulnerable or disadvantaged.

The Consumer Council will work with the OFMDFM and other stakeholders including the FSA to make sure this investigation is undertaken and the necessary changes are made.

## Conclusion

Changes must be delivered for consumers in the insurance marketplace but consumers must change too. The big message to consumers is that even now, despite the higher cost of insurance, consumers can feel confident that they can save money by shopping around for a better deal.

<sup>8</sup> The term postcode lottery refers to the way the allocation of postcodes can affect the provision and quality of services and affect such things as insurance prices. If you live in the "wrong" area, and, in extreme cases, on the "wrong" side of a road, you may get a poorer service than your neighbour.



# The Main Findings



# 1. Introduction

The Consumer Council exists to drive change to benefit consumers and make sure they get the best deal in markets such as insurance. Insurance provides vital protection, especially in today's uncertain climate when the fear of unemployment and not being able to make ends meet is real to many. Consumers, community and voluntary organisations, politicians and the media have all raised concerns that people here pay more for insurance than people elsewhere in the UK. This suspicion is often prompted or fuelled by adverts for great insurance deals that exclude Northern Ireland.

The Consumer Council set out to investigate whether, compared to the rest of the UK, consumers in Northern Ireland are paying more for insurance and if so, why. We commissioned the Financial Inclusion Centre<sup>9</sup> to undertake research that would prove whether our concerns were justified. The Consumer Council is grateful for the detailed research undertaken by the Financial Inclusion Centre and the thorough report provided on which our own report is based.

## Scope and methodology

The investigation looked at the following insurance products: car, contents, buildings, life, health, income protection, travel, dental and pet insurance.

Scenarios of typical consumers were developed and social deprivation indicators were used to select similar postcodes in rural and urban areas across the UK. More than 6,000 quotations for insurance products were gathered to ensure the comparisons were robust and representative. The data was gathered mainly from price comparison websites but this was complemented and confirmed by telephone based sampling.

As with any market analysis, there are some caveats. It is extremely difficult to identify two postcodes even within the same town that are exactly equivalent, much less across different regions. Nevertheless, the controls incorporated by the Financial Inclusion Centre and the volume of data gathered allowed meaningful conclusions to be drawn about the patterns of consumer experience of the insurance market here compared to GB.

A more detailed description of the methodology can be found in Appendix I.

9 The Financial Inclusion Centre is a not-for-profit think tank which promotes fair, affordable financial services, see [www.inclusioncentre.org.uk](http://www.inclusioncentre.org.uk).

## How insurance works

From a consumer's perspective insurance is protection against the impact of a future event or the risk of an unforeseen or unpredictable future event, for example, death, a car accident, being burgled, losing income or falling ill. Individual firms will charge premiums (prices) to insure<sup>10</sup> consumers against these risks.

Although it is not possible for insurers to predict the future with certainty, efforts are made to quantify these unforeseen events to ensure they hold sufficient reserves to pay out claims to policy holders. The cost of expected claims is estimated by considering how much was paid out on previous claims and the risk factors involved.

Risk factors vary depending on the product. For example, when setting car insurance premiums insurers will look at the car usage, type of car, driver (including age, experience, occupation and gender) and the level of accidents in the location where the car is based. Similarly, for contents insurance, insurers will look at the level of burglaries in the area and for buildings insurance, issues such as flooding will be central. These insurance products are affected by postcode.

Life and health insurances are determined primarily by the health and behaviour of the individual looking for insurance. Life insurance is based on the probability of individuals not achieving average life expectancy. Certain groups of individuals have a reduced probability of reaching average life expectancy age so they will be considered a higher risk for insurers. This could result in higher premiums or in some cases being excluded altogether. The definition of high risk can vary from insurer to insurer but the main types of high risk groups include: high risk occupations such as offshore workers, pilots, and fishermen; people who take part in dangerous sports or hobbies; people with pre-existing medical conditions; smokers and people over 60. Similarly, income protection insurance is determined primarily by the employment circumstances of the individual seeking insurance.

Travel insurance is primarily determined by destination and the age and health of the policy holder. The home postcode of the policy holder is not an issue. Dental insurance is based primarily on the age and number of people on the policy plus whether the policy holder uses NHS or private healthcare.

<sup>10</sup> Or assure in the case of life insurance products. Assurance relates to an event which will happen in future whereas insurance, such as car insurance, insures against the consequences of a potential bad event, such as a crash.

## 2. Comparing the cost of insurance

### Car insurance

On average, consumers here were quoted premiums of £282 more, or 84 per cent higher, than comparable consumers in other UK regions. However, the good news is that, even with our higher premiums, consumers who shop around could save as much as £267 on car insurance.

While all consumers in Northern Ireland are quoted more than comparable consumers in the rest of the UK, the difference is even greater for consumers in rural areas and low income areas. Consumers in low income areas were quoted on average £343 more, while consumers in affluent areas were quoted £210 more. Consumers in rural areas were quoted on average £324 more, while consumers in urban areas were quoted £245 more.

#### The number of providers

The scenarios in this report also illustrate the very low number of insurers who operate in Northern Ireland. The maximum number of insurers offering quotations here was 15, in contrast to 51 insurers in other parts of the UK. Some consumers in Northern Ireland had a choice of as few as nine providers whereas the lowest number of providers in other parts of the UK was 28.

#### The value of shopping around

Despite the higher costs of premiums and restricted choice of providers, the research revealed that consumers in Northern Ireland could still make significant savings if they shopped around. On average, consumers in Northern Ireland could potentially save £267 (as measured by the difference between the cheapest premium and the median<sup>11</sup> premium).

Not everyone will be able to get the cheapest premium but the potential savings for those who shop around are significant.

#### The scenarios

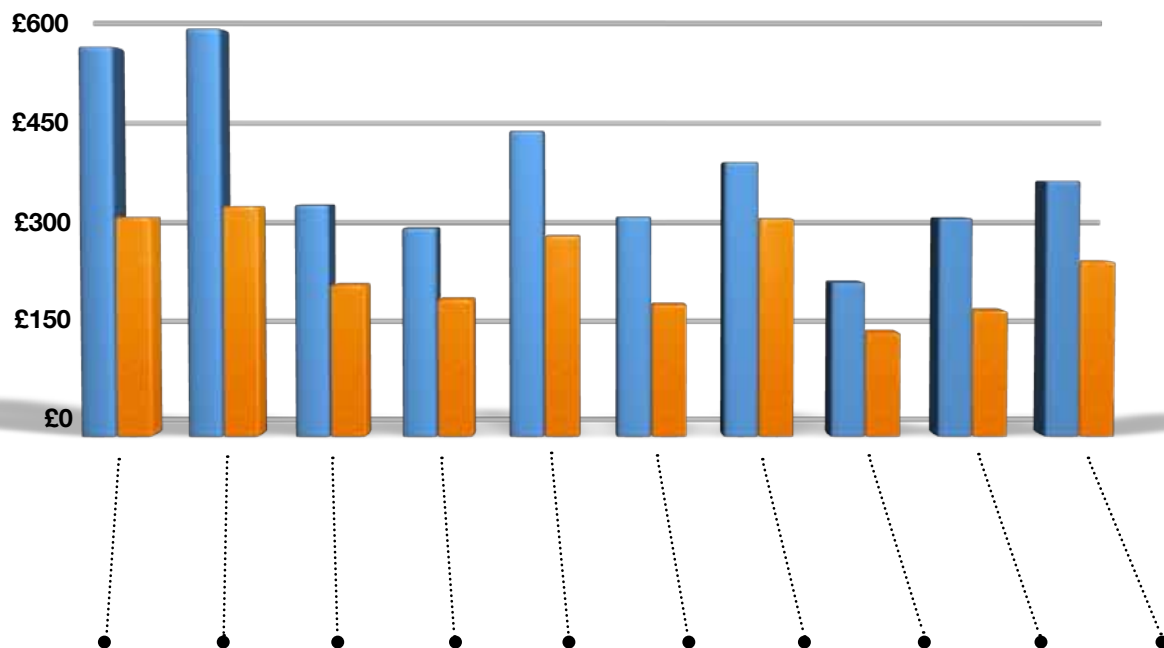
The following six examples show how much more consumers in Northern Ireland are paying for car insurance. The price differential in some of the scenarios is particularly significant. In each example the median and the cheapest quotations are given for every area as well as the number of insurance companies providing a quotation. In the original research, the cost of comprehensive insurance was sought for consumers in affluent areas and third party car

<sup>11</sup> The quotations were arranged in order of price; the middle quotation is the median.

insurance for consumers in low income areas because it was believed that this would be the most likely option taken up by consumers in those particular circumstances.

There is more than £100 difference between the median of the prices quoted for the middle aged driver in an affluent, urban area of Londonderry (Derry) and the next most expensive area outside of Northern Ireland, which is the North West of England (Figure 1).

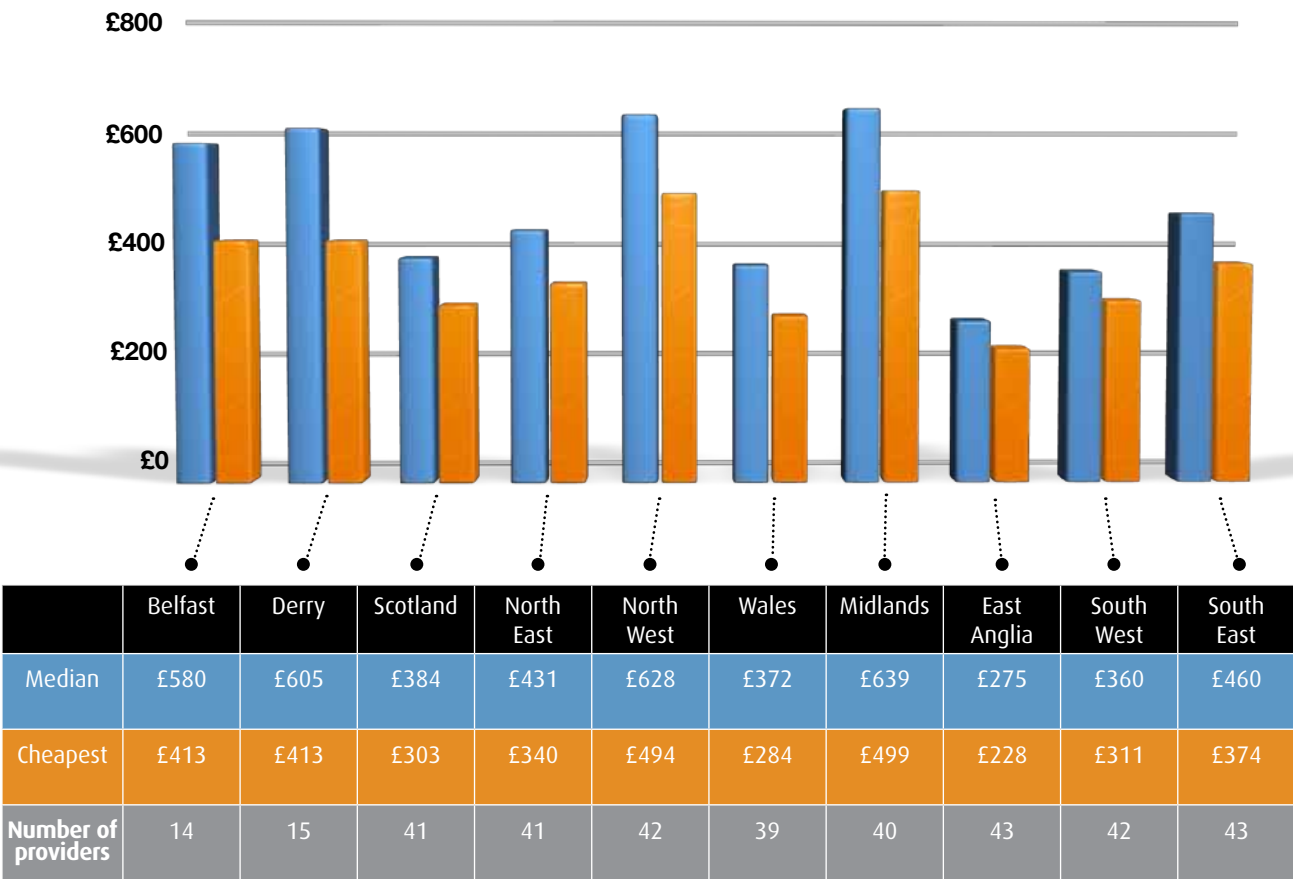
**Figure 1: Car insurance – affluent, urban area, middle aged driver**



	Belfast	Derry	Scotland	North East	North West	Wales	Midlands	East Anglia	South West	South East
<b>Median</b>	£553	£578	£329	£296	£434	£311	£390	£218	£310	£363
<b>Cheapest</b>	£311	£326	£214	£194	£284	£186	£309	£146	£177	£248
<b>Number of providers</b>	13	13	48	51	51	51	51	50	49	50

Middle-aged drivers living in low income, urban areas of Northern Ireland are quoted more than drivers living in all but two similar parts of GB (Figure 2).

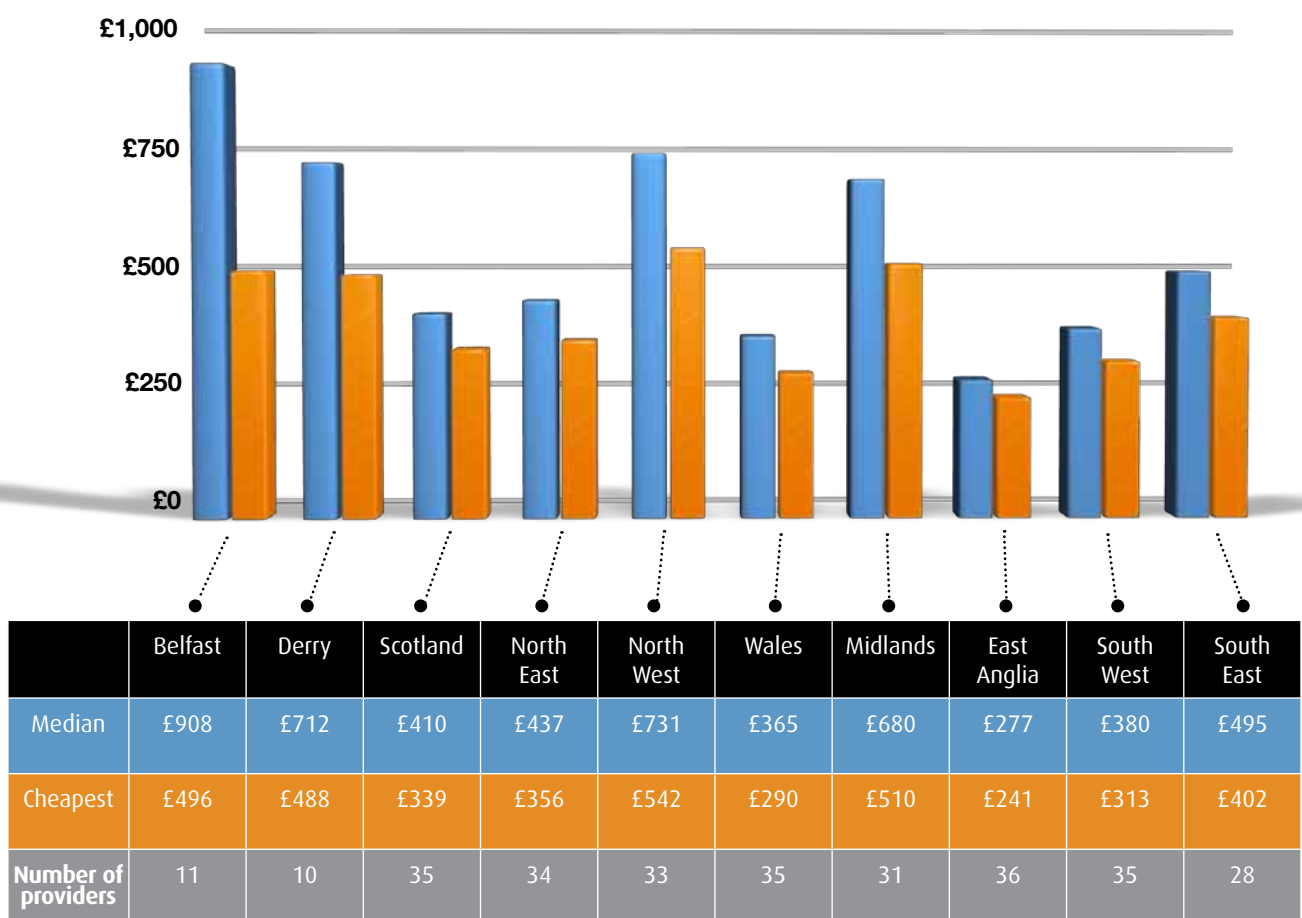
Figure 2: Car insurance – low income, urban area, middle aged, employed driver





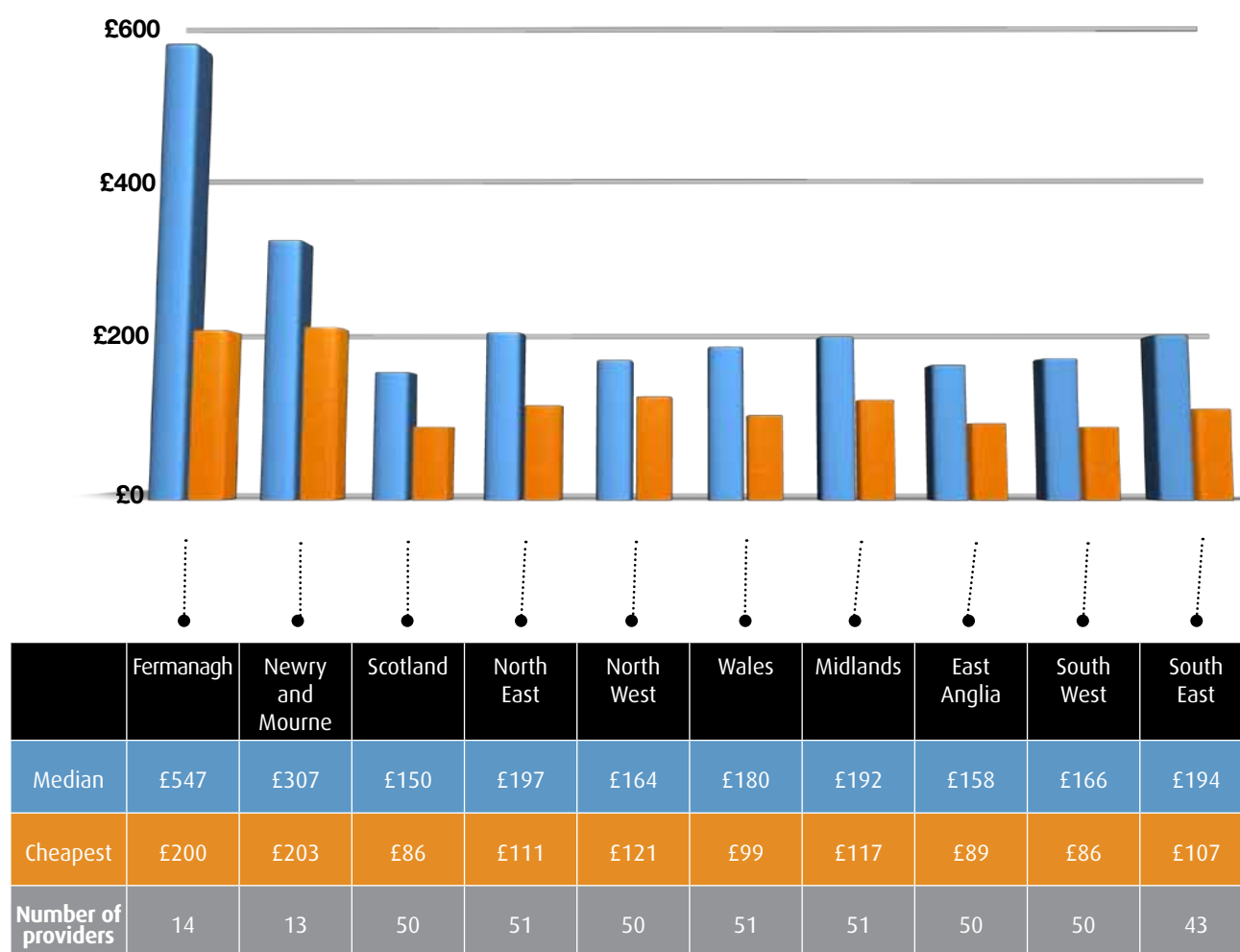
For consumers who are unemployed and living in a low income area, the difference in premiums quoted is striking. A middle aged driver in Belfast could be charged £908 for insurance, over £150 more than the next highest quotation (Figure 3).

**Figure 3: Car insurance – low income, urban area, middle aged, unemployed driver**



Older drivers in affluent, rural areas of Northern Ireland are also more likely to pay more for car insurance. Northern Ireland was the most expensive region in the UK. Even the cheapest premiums in Northern Ireland were more expensive than the median premiums quoted for the other regions in the UK (Figure 4).

**Figure 4: Car insurance – affluent, rural area, older driver**



Younger drivers in rural areas of Northern Ireland are likely to pay significantly more than their counterparts in GB. Again, even the cheapest premiums in Northern Ireland are more expensive than most of the median premiums quoted in other parts of the UK (Figures 5 and 6).

**Figure 5: Car insurance – affluent, rural area, younger driver**

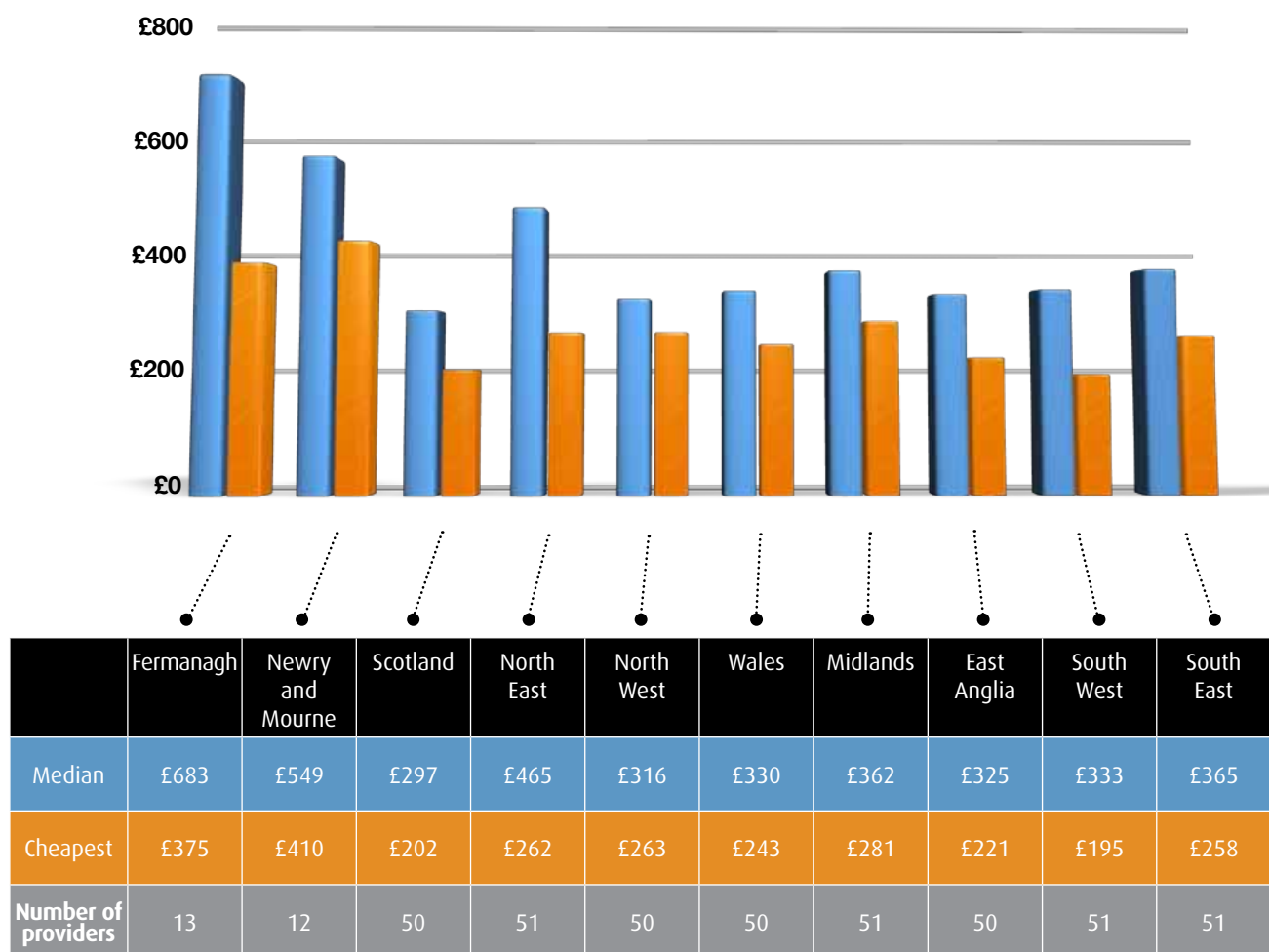
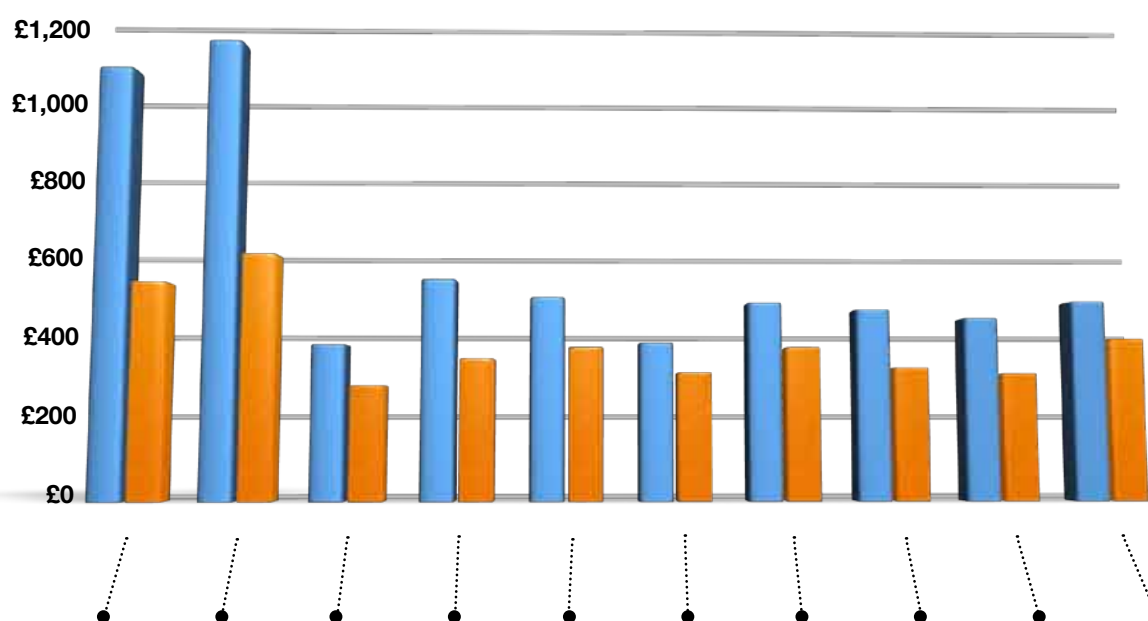


Figure 6: Car insurance – low income, rural area, younger driver



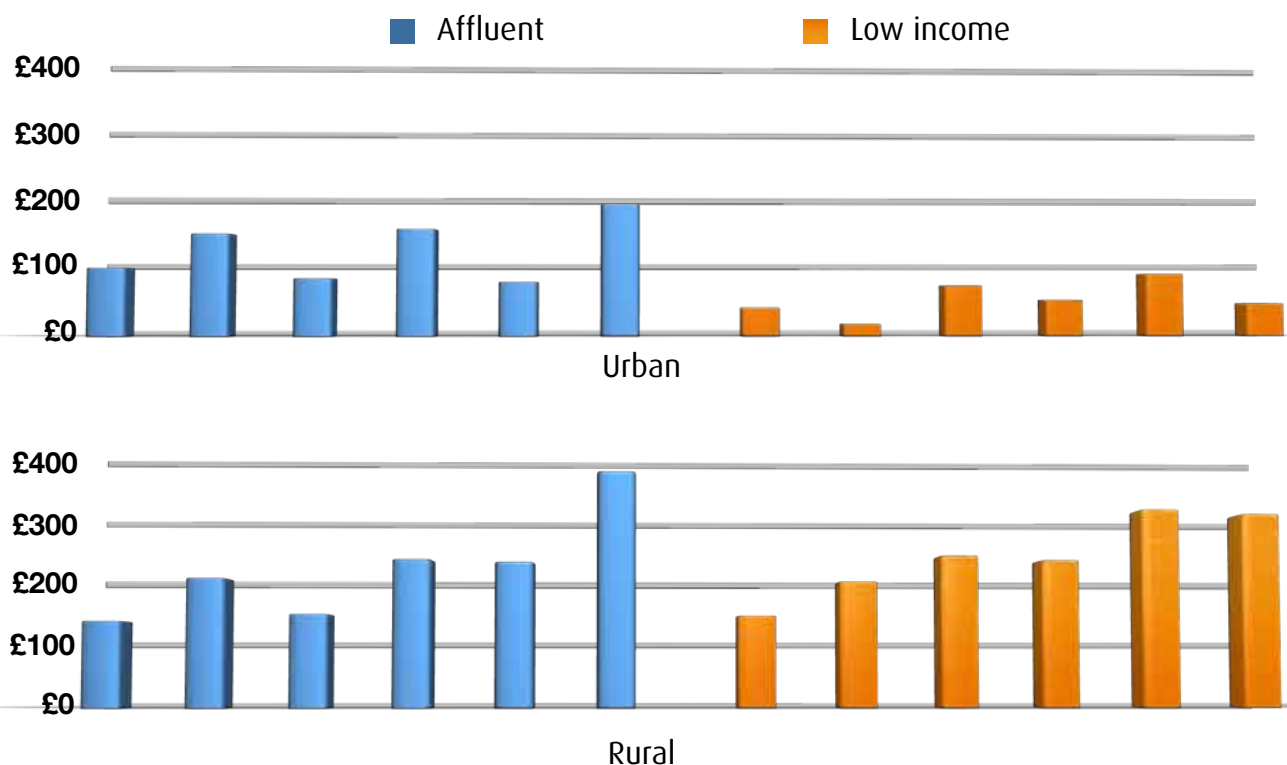
	Fermanagh	Newry and Mourne	Scotland	North East	North West	Wales	Midlands	East Anglia	South West	South East
Median	£1,044	£1,111	£373	£529	£486	£377	£474	£458	£437	£478
Cheapest	£522	£590	£275	£340	£367	£306	£367	£319	£305	£388
Number of providers	10	10	36	36	36	29	36	36	36	34

### Third party car insurance

The Consumer Council also wanted to assess how much more all consumers in Northern Ireland may be paying for third party insurance as this type of insurance is legally required so an additional sample was commissioned.

On average, consumers here are quoted premiums of £158 more, or 43 per cent higher, than comparable consumers in other UK regions. In most of the scenarios the consumers in Northern Ireland are quoted over £50 more with the most noticeable difference being in rural areas (Figure 7).

**Figure 7: Third party car insurance – difference between median premium for Northern Ireland consumer and the average of the median premium for the other eight regions**



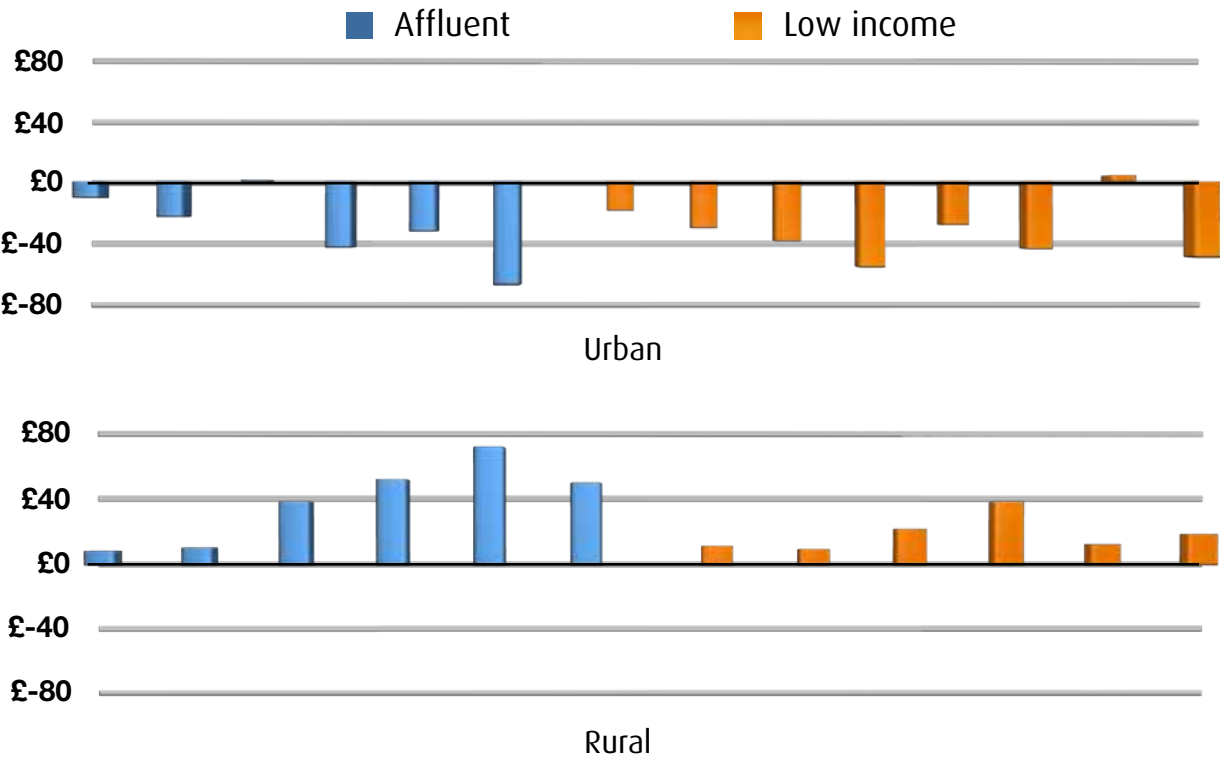
# Contents insurance

Consumers in rural areas are likely to pay on average £20 more a year for contents insurance. By contrast, consumers in urban areas are likely to save about £30 a year compared to consumers in the rest of the UK. Consumers could typically save around £70 a year by shopping around, while some could save more than £100. The number of providers in Northern Ireland ranged from 9 to 16 while in the rest of the UK it ranged from 7 to 28.

## Urban/rural divide

The research showed that consumers living in urban areas of Northern Ireland were mostly quoted lower premiums than their counterparts in equivalent urban areas of Great Britain. However, in each of the rural scenarios investigated, consumers in Northern Ireland were quoted higher premiums than their counterparts in GB. (Figure 8).

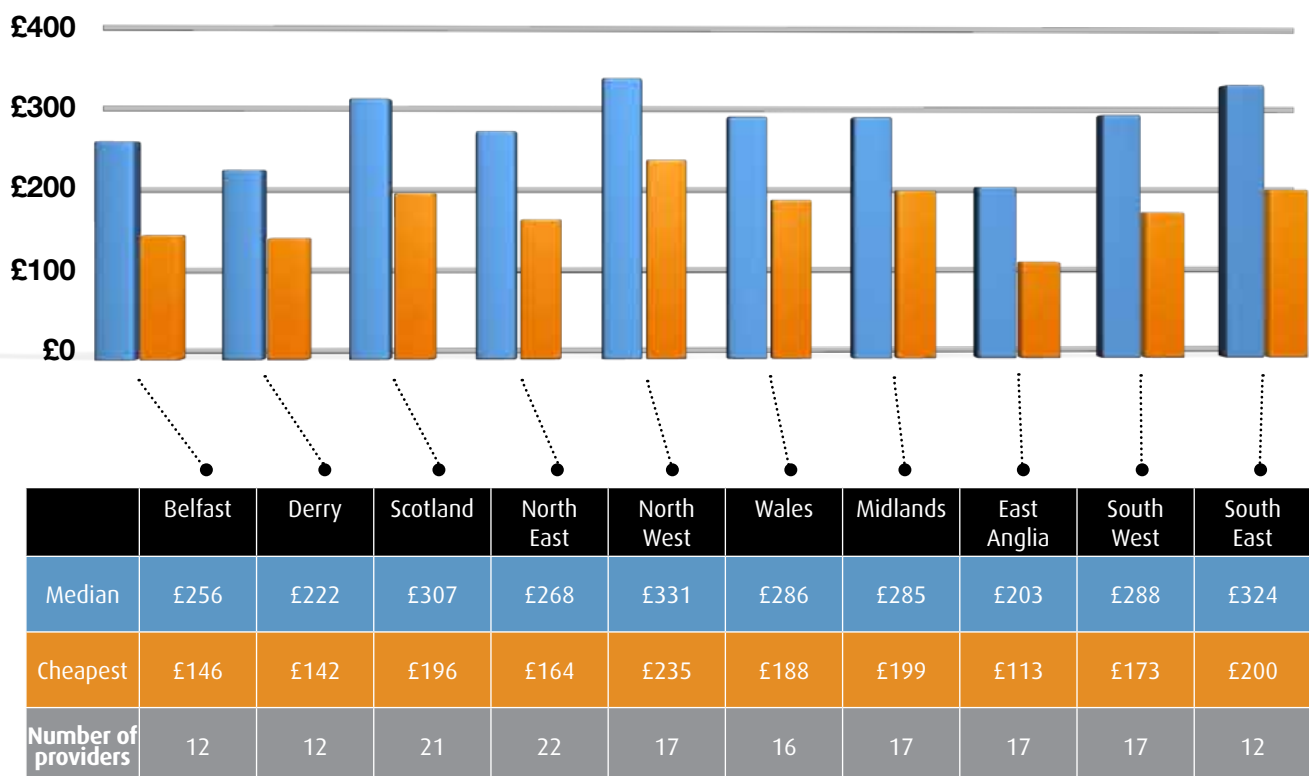
**Figure 8: Contents insurance – difference in price between median premium for Northern Ireland consumer and the average of the median premium for the other eight regions**

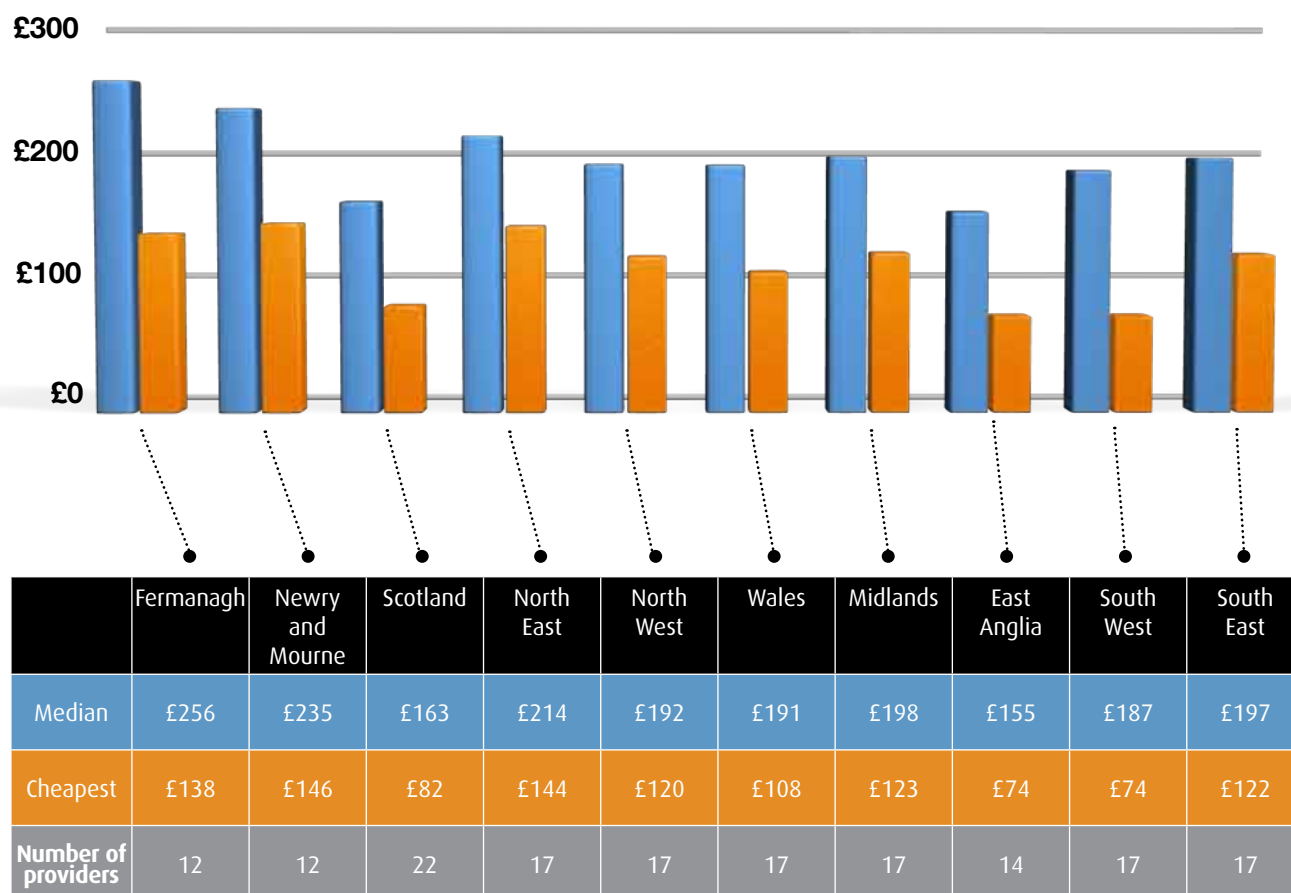




The difference in prices quoted for urban and rural areas is best illustrated by the prices quoted for younger people in affluent areas. The consumers in urban areas of Northern Ireland were quoted the second and third best median prices (Figure 9) but the consumers in rural areas of Northern Ireland were quoted the most expensive (Figure 10).

**Figure 9: Contents insurance – affluent, urban area, younger person**



**Figure 10: Contents insurance – affluent, rural area, younger person**

### The number of providers

As with car insurance, consumers in Northern Ireland have access to fewer providers in the market. The number of providers in Northern Ireland ranged from 9 to 16 while in the rest of the UK it ranged from 7 to 28.

### The value of shopping around

Again, the research indicates the value of shopping around for contents insurance. Consumers could typically save around £70 a year, while some could save more than £100.

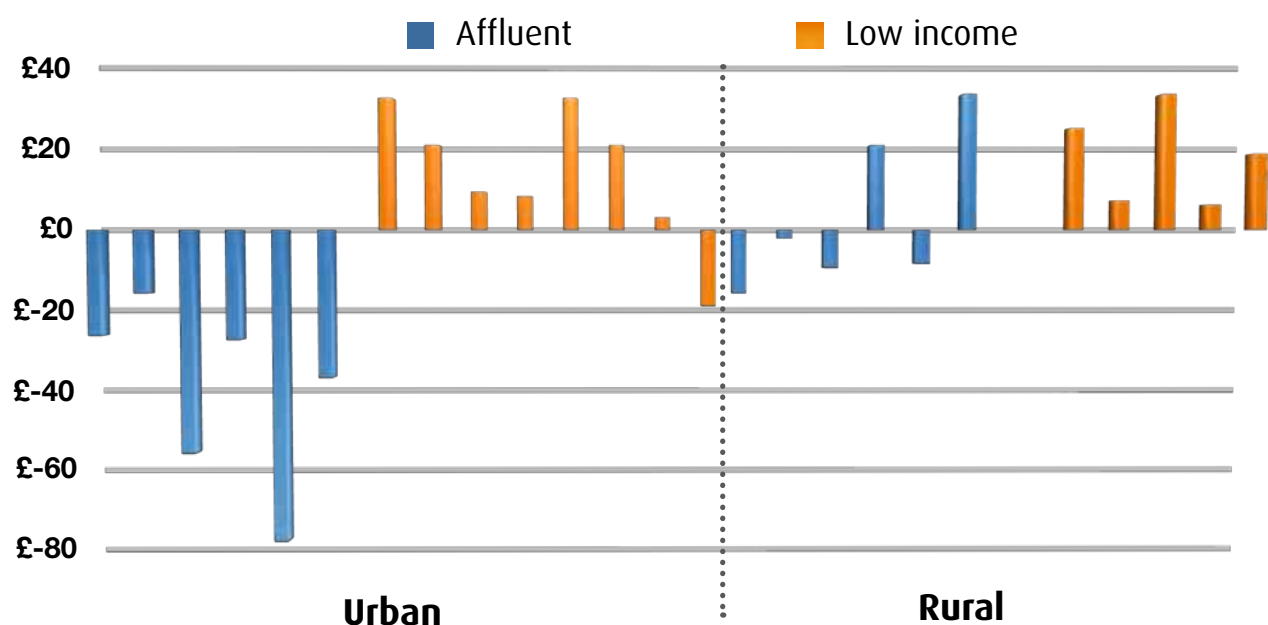
## Buildings insurance

Consumers in low income areas of Northern Ireland are likely to pay £20 more for buildings insurance than their counterparts in GB. By contrast consumers in affluent areas here are likely to pay £24 less. Consumers who shop around for buildings insurance could save £52 a year. Consumers in Northern Ireland had a choice of between 9 and 17 providers. The range for consumers elsewhere in the UK was 10 to 29.

### Affluent area/low income area divide

Consumers in affluent areas of Northern Ireland tended to fare better than their counterparts in similar areas in the rest of the UK (Figure 11). On the other hand, consumers in low income areas of Northern Ireland seemed to be offered insurance at a higher cost than their counterparts in similar areas elsewhere.

**Figure 11: Buildings insurance – difference in price between median premium for Northern Ireland consumer and the average of the medians for the other eight regions**



### **Choice of providers**

Again, consumers' choice of providers is limited. Consumers in Northern Ireland had a choice of between 9 and 17 providers. The range for consumers in GB was 10 to 29. There was only one example in which another part of the UK had fewer providers than in Northern Ireland<sup>12</sup>.

### **The value of shopping around**

Again, while the difference in cost of buildings insurance throughout the UK does not seem to be as significant, consumers in Northern Ireland could still save on average £52 by shopping around.

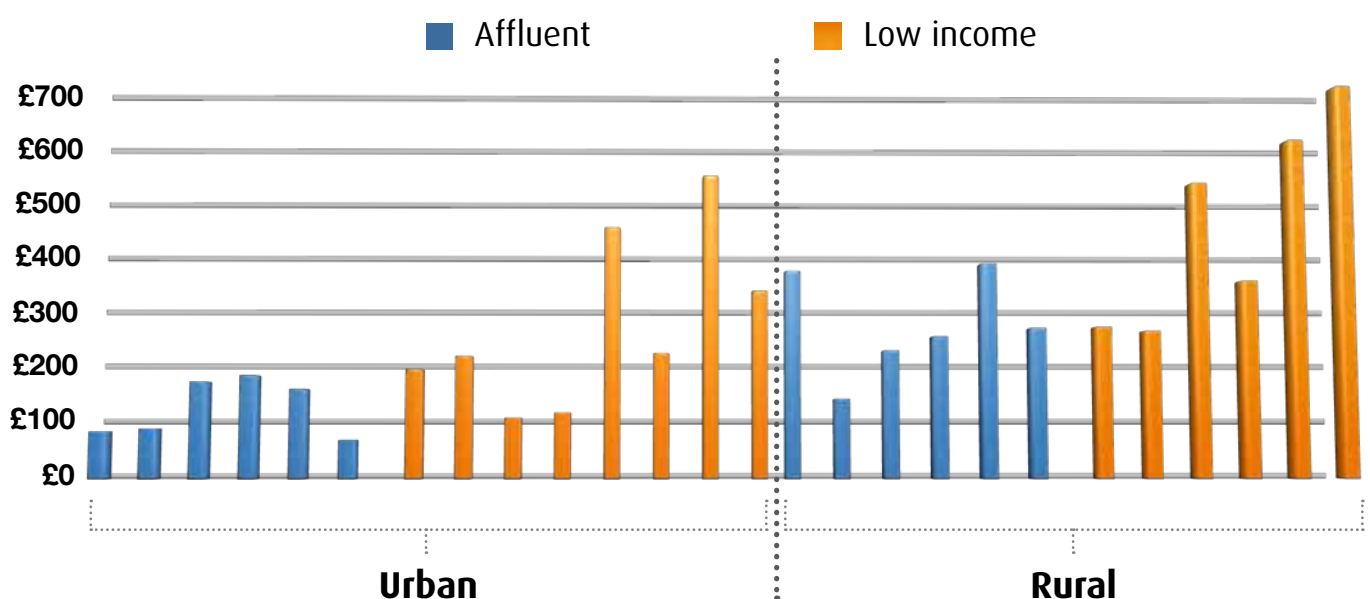
12 Ten insurance companies provided a quotation for a middle aged consumer in an affluent area of the South East of England whereas 11 insurance companies quoted for the same consumer in Northern Ireland.

## Household comparisons

Households in Northern Ireland are likely to pay between £68 and £695 more for car, contents and buildings insurance. Even households who got good deals on their contents and buildings insurance are likely to pay more overall because of the significantly higher cost of car insurance.

In low income areas, the difference between what households in Northern Ireland and the rest of the UK are likely to pay is particularly stark. On average households in affluent areas are likely to pay £197 more than their counterparts in the rest of the UK but for households in low income areas that figure almost doubles to £345 more (Figure 12).

**Figure 12: Household comparison – additional amount paid by Northern Ireland households compared to households in the rest of the UK**



### The value of shopping around

All of the households could save money by shopping around. The potential savings to a household ranged from £206 to £612.

## Other insurance products

The findings indicated that the fact that the consumer lives in Northern Ireland does not affect how much they will pay for life, health, income protection, travel, dental and pet insurance. However, because it is more likely that consumers in Northern Ireland smoke<sup>13</sup> and are affected by ill health<sup>14</sup> and lower life expectancy<sup>15, 16</sup> the Northern Ireland population will contain a higher number of individuals who will pay more for life, health and income protection insurance.

Smokers and consumers with existing health conditions pay significantly more for life insurance. For example, a 30 year old male smoker taking out life insurance for £100,000 would pay around £42 a month, compared to under £20 a month for a non-smoker. This is an extra £264 a year.

The higher premiums associated with smoking are likely to affect consumers on lower incomes disproportionately as 39 per cent of unskilled manual workers smoke compared to just ten per cent of professional workers.<sup>17</sup>

The key factors determining the cost of health and income protection insurance premiums include the age of the insured and whether the applicant has any pre-existing medical conditions. The higher incidence of chronic medical conditions among the population in Northern Ireland compared to those in the rest of the UK may mean that premiums are likely to be higher or consumers are more likely to be denied access to this form of insurance.

The research found there is no real detriment in the travel, dental and pet insurance categories.

13 Northern Ireland has the second highest level of smoking in the UK (after Scotland), Cancer Research UK.

14 Males living in Northern Ireland can expect to live 2.5 fewer years 'disability free' compared to the UK average. *Health Statistics Quarterly*, Spring edition. 2008, National Statistics.

15 A male born in England in 1981 can expect to live two years longer than a male living in Northern Ireland, while a female born in England can expect to live 1.5 years longer. *Period expectation of life (in years) at birth and selected age, 1981 onwards*: Population Trends 133, available from <http://www.statistics.gov.uk/STATBASE/ssdata-set.asp?vlnk=9551>.

16 One area where this disadvantage should benefit consumers is in the annuities market. Consumers who purchase impaired annuities tend to get better annuity rates primarily because the insurer does not expect to have to pay the annuity for as long. There is no evidence of insurers offering higher annuity rates to consumers in Northern Ireland because of the lower life expectancy rates but some of the major insurers are planning such a move in other parts of the UK.

17 *Continuous Household Survey, 2000–01*, NISRA.



### 3. Consumer behaviour

About a third of consumers in Northern Ireland do not have contents insurance (30 per cent) or buildings insurance (36 per cent). Consumers on low income are less likely to have insurance products than those on higher incomes. For example, 72 per cent of respondents on low incomes said they don't have life insurance and 88 per cent don't have income protection. When asked why they don't have insurance products, those on a lower income are more likely to say it is because of the cost of insurance. Those on a medium or higher income who don't have insurance are more likely to say it is because they haven't got round to it or don't see the need for insurance.

#### Product uptake

The research indicated there was a low uptake of some insurance products by consumers in Northern Ireland.<sup>18</sup> The survey indicated that 30 per cent of consumers in Northern Ireland do not have contents insurance and 36 per cent do not have buildings insurance. This appears to be an improvement on the findings of the FSA's baseline survey which found that only slightly more than half held any insurance to mitigate the effects of a loss of income or property. Across the whole of the UK, the FSA survey found that seven in ten adults held at least one form of protection insurance<sup>19</sup>.

Perhaps not surprisingly, consumers on low incomes are less likely to have insurance products than those on higher incomes. A majority of consumers on low incomes do not have insurance that pays out in the event of their death or the loss of a salary. 72 per cent of respondents on low incomes said they don't have life insurance and 88 per cent don't have income protection (Figure 13).

**Figure 13: Proportion of consumers with insurance, by household income**

	All respondents	Low incomes (under £11,500 per annum)	Medium incomes (£11,500 – £25,000)	High incomes (more than £25,000)
<b>Car</b>	75%	58%	86%	93%
<b>Contents</b>	70%	57%	78%	87%
<b>Buildings</b>	64%	44%	73%	85%
<b>Life</b>	53%	28%	66%	79%
<b>Income Protection</b>	21%	3%	24%	40%

<sup>18</sup> Data relating to product take up should always be treated with some caution because of the problems associated with self-reporting and underestimates of product ownership by consumers.

<sup>19</sup> *Managing Money: How does Northern Ireland add up?* 2007, The Consumer Council, (A research report based on the Financial Services Authority (FSA) UK Baseline Survey)

A majority of consumers in rented accommodation (63 per cent) said they do not have contents insurance. This is consistent with research from the Northern Ireland Housing Executive which indicates that 73 per cent of their tenants report that the contents of their home are not insured<sup>20</sup>. 11 per cent of home owners said they don't have buildings insurance.

**Figure 14: Proportion of consumers without insurance, by tenure**

	All respondents	Owner-occupied	Rented
<b>Car</b>	24%	14%	47%
<b>Contents</b>	28%	12%	63%
<b>Buildings</b>	33%	11%	85%
<b>Life</b>	45%	33%	73%
<b>Income Protection</b>	70%	63%	87%

Consumers in rural areas are more likely to have car, contents and buildings insurance (Figure 15). The Consumer Council asked the Association of British Insurers (ABI) if they knew of any reasons why this might be the case but they do not have any statistics broken down by regions that would assist us in understanding the difference.

**Figure 15: Proportion of consumers with insurance, by urban or rural area**

	All respondents	Urban	Rural
<b>Car</b>	75%	70%	86%
<b>Contents</b>	70%	66%	78%
<b>Buildings</b>	64%	61%	71%
<b>Life</b>	53%	52%	54%
<b>Income Protection</b>	21%	21%	20%

## How do consumers in Northern Ireland buy insurance?

The main sources for buying insurance are through insurance brokers and direct from the insurance company (Figure 16). Buying insurance on the internet does not yet seem to be very popular in Northern Ireland.

Using the internet offers the potential of accessing better value deals but consumers on a lower income are less likely to buy insurance on the internet.

**Figure 16: How consumers in Northern Ireland buy insurance by household income<sup>21</sup>**

	All respondents	Low income (under £11,500 per annum)	Medium income (£11,500 – £25,000)	High income (more than £25,000)
<b>Insurance broker</b>	49%	45%	58%	59%
<b>Direct from insurer</b>	49%	53%	46%	46%
<b>Bank</b>	14%	10%	16%	19%
<b>Internet</b>	10%	3%	12%	14%

There is no directly comparable research on how consumers across the UK buy insurance but research by the ABI indicates that the internet was used by nine per cent of consumers on average incomes<sup>22</sup>, eight per cent of those on low incomes<sup>23</sup> and seven per cent of those on very low incomes<sup>24</sup>, <sup>25</sup>. Comparing the two surveys, it would seem that lower income consumers in Northern Ireland are less likely to use the internet to buy insurance than UK consumers generally.

21 This relates to purchase of any insurance product. Numbers will not add up to 100 per cent as respondents will have purchased insurance via a number of different channels.

22 Those with average household income of between £15,000 and £30,000 per annum.

23 Those with low household income of between £10,000 and £15,000 per annum.

24 Those with very low household income of under £10,000 per annum.

25 *Financial Inclusion and Insurance: Meeting low-income consumers' needs*, 2007, Association of British Insurers

Consumers in Northern Ireland aged 55 and over are much less likely to use the internet to buy insurance (Figure 17).

**Figure 17: Purchase of insurance over the internet by age**

Age group	16 – 34	35 – 54	55 – 64	65+
Internet	14%	12%	6%	1%

### Why do consumers not have contents insurance?

Low income consumers who did not have contents insurance most often said that it was because they couldn't afford it or had more pressing financial needs. Those on a medium income most often said it was because they 'haven't got round to it' (Figure 18).

**Figure 18: Reason for not having contents insurance**

Reason	All respondents	Low income (under £11,500 per annum)	Medium income (£11,500 – £25,000)	High income (more than £25,000)
Can't afford it/ more pressing financial needs	28%	40%	20%	19%
Haven't got round to it	21%	21%	38%	19%
Don't think it is worth it	15%	21%	20%	18%
Refused insurance	1%	1%	3%	3%

Of those who do not have insurance products only one to three per cent said that this was because they had been refused it. These findings are very much in line with ABI research<sup>26</sup> and suggest that deliberate exclusion by insurance companies is not a major problem. However, it is important not to be complacent. The low figures for outright refusal may disguise other barriers such as high pricing and exclusions in policies as well as self exclusion.

It must be borne in mind when developing a strategy to increase the uptake of insurance products that the primary barrier for consumers on lower incomes is affordability. In contrast, consumers on medium to higher incomes are self-excluding through inertia or apathy.

## Switching and choosing the right product

There is little specific research on switching behaviour across the UK, particularly in the insurance sector. The Consumer Council's analysis<sup>27</sup> of the FSA's Baseline Study into Financial Capability suggests that consumers in Northern Ireland are not as active as UK consumers generally. 74 per cent of people in the UK had chosen a financial product in the past five years, whereas the comparative figure for Northern Ireland consumers is 59 per cent. The analysis also showed that people in Northern Ireland are more likely to choose a financial product on little or no information.

The research also found that there was a significant relationship between income and home ownership status and how highly consumers scored at making effective choices. The analysis suggested that consumers on higher incomes or those who own their homes made more careful choices, while people on the lowest incomes or those in other types of tenure were less likely to make informed choices.

27 *Managing Money: How does Northern Ireland add up?* 2007, The Consumer Council, (A research report based on the Financial Services Authority UK Baseline Survey)

## 4. The impact of the cost of insurance on low income consumers

Households in low income areas of Northern Ireland pay more for insurance than they would if they lived in similar areas in Great Britain. They are also more likely to be uninsured which can have a devastating impact since they are less likely to have savings to fall back on.

Low income households are less likely to have money left aside for emergencies<sup>28</sup> or an insurance policy to fall back on if they are affected by the loss of a breadwinner's income or had household goods damaged or stolen. This may lead to the householder having to borrow money and possibly becoming over-indebted.

Research also suggests that consumers on low incomes face much higher risks than consumers on medium and higher incomes. It has been estimated that people without contents insurance are three times more likely to be burgled than those with contents insurance<sup>29</sup>. Detailed information on the risks faced by vulnerable communities in Northern Ireland was not available but research from England and Wales suggests that low income households are more likely to be burgled<sup>30</sup> and that vulnerable consumers are more likely to be victims of arson attacks<sup>31</sup>.

It is expected that in the future fewer people will be able to get insurance as insurers use increasingly sophisticated risk based pricing techniques to divide consumers into smaller categories with a lesser degree of cross subsidy<sup>32</sup>. Moreover, there are concerns that the financial crisis in the banking sector may spread to the insurance sector. Insurers may become more risk averse and be less willing to offer insurance to consumers who are considered a higher risk. The overall effect is that vulnerable consumers may become even more marginalised whether through paying relatively higher prices for insurance or being denied access altogether.

28 44 per cent of Northern Ireland consumers have no savings, while a further 16 per cent have less than £1,500. This is particularly the case for households on a low income. *Family Resources Survey*, 2007, NISRA

29 See <http://www.poverty.org.uk/45/index.shtml#note2>

30 *Crime in England & Wales 2005/6*, July 2006, Home Office

31 *Tackling Arson*, 2006, Home Office

32 For an explanation of how this can impact on consumers considered a higher risk see *Service Not Included: Social Implications of Private Sector Restructuring in Marginalised Neighbourhoods*, 2000, Graham, S. and Speak, S.



## 5. Suggested reasons why insurance costs more

Consumers in Northern Ireland are being disadvantaged by having to pay more for insurance. In order for the Consumer Council to drive change we need to understand why insurance costs more. During our investigation we sought to identify why the detriment is so high and our focus rested on these questions:

- What effect does the low take up of insurance by consumers have on costs?
- Do consumers shop around and if not, why not?
- Does the lack of choice of provider result in higher costs for consumers?
- Are there barriers to competition?
- Are the costs associated with insurance claims higher?

We found many varied views of why insurance costs more and have included all the suggestions below.

### **1. What effect does the low uptake of insurance have on costs? Do consumers shop around? If not, why not?**

Northern Ireland is a comparatively small market and the low level of uptake of insurance means that insurers have fewer opportunities to benefit from the economies of scale.

The more active consumers are, the more competitive pressure there is on providers to lower prices. Equally, consumer inertia can stifle competition, as was highlighted by the Competition Commission.<sup>33</sup>

This research shows that consumers don't take up insurance because they believe they can't afford it, they don't see the value of the product or they don't know how to go about buying the product. Some consumers may not feel they can trust insurance providers<sup>34</sup>. Concerns about the way insurers handle claims and bury exclusions in the small print may undermine confidence in insurance products and can contribute to the perception of insurance 'not being worth it'.

Consumers may be put off buying insurance or switching insurance providers, because they

33 This was shown in the inquiry into the Personal Current Account market that was sparked by the Consumer Council's super-complaint

34 *Report on findings into insurance and financial inclusion*, June 2008, Insurance Working Group, Financial Inclusion Taskforce

do not have access to the internet. A lower percentage of households in Northern Ireland have internet access compared to Great Britain<sup>35</sup>. Media coverage suggesting that comparison websites may not always identify the best deal for consumers may also lower consumer confidence and cause them not to bother purchasing or shopping around at all<sup>36</sup>.

Consumers may be reluctant to be active in the insurance market because of the conduct of insurance providers. There is a huge body of evidence which points to the unnecessary complexity and poor design of financial products (including insurance products) as major barriers to inclusion<sup>37</sup>.

Some products are not appropriate for vulnerable consumers. The excess payable on insurance policy claims may be too high for some consumers to afford and lowering the excess will increase the cost of the premium. Some low income consumers may find that the standard estimate of contents valuation is too high for their needs or that policies require them to fit expensive security arrangements<sup>38</sup>.

Furthermore, insurance companies increasingly rely on direct debit payments to collect insurance premiums which can indirectly disadvantage vulnerable consumers as they are less likely to have a bank account and may have more irregular, unstable incomes. One in six households in Northern Ireland does not have a current account<sup>39</sup>. Households headed by someone who is unemployed or disabled or by a lone parent are more likely to not have a bank account<sup>40</sup>.

35 52 per cent of households in Northern Ireland have internet access compared to 61 per cent of households in the UK. *Northern Ireland Omnibus Survey; Survey of Internet Service Provider*, August 2007, ONS

36 The FSA assessed a sample of insurance comparison websites in May 2008 and reported that some were good but others were not.

37 *Exploring the uptake of home contents insurance*, Hexagon Research and *Consulting for the Scottish Executive Social Research*, 2007, Vestry, P.; *Sandler Review of Medium and Long Term Savings Products in UK*, 2002, HM Treasury; *Services Provision and Prevention of Financial Exclusion*, 2008, European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities Inclusion; *Financial Inclusion and Home Contents Insurance*, November 2007, Ipsos MORI on behalf of The Financial Inclusion Taskforce

38 Royal and Sun Alliance reported to the Financial Inclusion Taskforce's Insurance Working Group that the lowest minimum sum assurance for contents insurance they offered is £6,000 for people aged over 60 and £9,000 for younger people. *Report on findings into insurance and financial inclusion*, 2008, Financial Inclusion Taskforce Insurance Working Group

39 84 per cent of households in Northern Ireland have a current account compared to 90 per cent across the UK. Five per cent of households in Northern Ireland have, as well or instead, a basic bank account compared to seven per cent across the UK. *Family Resources Survey 2006 – 2007*, Department for Social Development

40 *Monitoring poverty and social exclusion in Northern Ireland*, 2006, Kelly, A, Kenway, P, MacInnes, T and Palmer, G Joseph Rowntree Foundation, New Policy Institute

## **2. Does the lack of choice of provider result in higher costs for consumers? Are there barriers to competition?**

Consumers do not have the same choice of providers as consumers in Great Britain, particularly for car insurance. In general, the more providers in a market the greater the competitive pressure to push down prices. It seems likely that the restricted choice available to consumers is limiting competition pressures and resulting in higher prices than there would be if there were more products available. The limited choice of providers also means that even in contents and buildings insurance where consumers are being quoted similar premiums to consumers elsewhere in the UK, the cheapest quotations in Northern Ireland were twice the price of the cheapest elsewhere.

The ABI was unable to provide figures showing the number of insurance companies operating in Northern Ireland and their share of the market. Without this information it is not possible to determine whether there are anticompetitive practices in the market, such as dominant insurers exploiting a captive market<sup>41</sup>. Further investigation is required to establish market shares and whether there are barriers that make it too difficult for insurance companies to move into the market.

## **3. Are the costs associated with insurance claims higher?**

Proportionally, the cost of private car insurance claims in Northern Ireland is higher than in the rest of the UK. The amount claimed in Northern Ireland represents 5.4 per cent of the UK total claims whereas Northern Ireland has only 2.6 per cent of the total number of cars<sup>42</sup>.

Claims in Northern Ireland could cost more for a number of reasons which will be examined in turn.

- The cost of the legal process could be more expensive than elsewhere in the UK;
- Compensation levels in Northern Ireland could be higher than elsewhere;
- There could be proportionately more claims made by consumers in Northern Ireland; and
- There could be a higher level of fraudulent claims.

41 Meaningful data on relative market shares of the major insurance providers at a Northern Ireland level, rather than the UK level, was not found. Consequently, it has not been possible to analyse the usual indicators of competition, such as Herfindahl indices. Under these circumstances it is not possible to determine with any degree of certainty whether there are or are not competition problems.

42 It is estimated that the cost of private car insurance claims in the UK amounted to £8,245 million in the year 2005 (*UK motor revenue account*, ABI) and that the cost in Northern Ireland for the same year is £447 million (*Insurance – Ireland, 2006, Total net incurred claims, NI 2001-05*, Mintel). In contrast, the number of cars registered in Northern Ireland accounts for only 2.6 per cent of the number of the UK total (*Northern Ireland Annual Transport Statistics 2005-06*, Department of Regional Development).

## **The cost of the legal process**

The legal system in Northern Ireland is different from that in England and Wales, for example:

- Personal injury claims and claims for damages in respect of road traffic accidents are excluded from the Small Claims Court in Northern Ireland, whereas this is not the case in England and Wales; and
- The method of calculating payment for legal representatives in Northern Ireland is different to that in place in England and Wales.

These and other differences may cause a disparity between the costs of the processes in the two jurisdictions. Both the ABI and the Law Society of Northern Ireland provided us with their comments on this matter. It is clear from their comments that there is no agreement on the essential question. Therefore, a thorough investigation is needed to assess the impact of the cost of the legal process in Northern Ireland on the cost of insurance for consumers.

## **Compensation levels in Northern Ireland**

Compensation payments in Northern Ireland are significantly higher than those in England and Wales and the Republic of Ireland. Guidance on compensation levels are published in England and Wales and in Northern Ireland by the respective Judicial Studies Board. The Book of Quantum sets out guidance on the compensation ranges in the Republic of Ireland. Figure 19 sets out the ranges suggested in each jurisdiction for a number of injuries.

**Figure 19: Compensation levels in Northern Ireland, England & Wales and Republic of Ireland**

Injury	Northern Ireland compensation	England & Wales compensation	Republic of Ireland <sup>43</sup> compensation
Neck Injuries	Severe £30,000 to £265,000	Severe In the region of £14,500 to £86,500	Serious and permanent conditions £48,114 to £63,504
	Moderate £9,000 to £42,000	Moderate £8,150 to £14,500	Significant ongoing £12,879 to £52,245
	Minor up to £9,500	Minor £750 to £4,575	Substantially recovered within 24 months £9,315 to £14,094
			Substantially recovered within 12 months Up to £11,664
Broken Nose	Serious £18,000 to £30,000	Serious £6,000 to £13,000	Serious £12,069 to £15,876
	Moderate £12,000	Moderate £14,000 to £3,000	
	Minor £9,000	Minor £1,000 to £1,400	
Big Toe (Break / Fractures)	Severe £18,000 to £30,000	Severe £8,150 to £11,200	Serious and permanent £16,848 to £26,163
	Serious £12,000 to £30,000	Serious £5,600 to £8,150	Significant ongoing £10,692 to £20,007
	Moderate Up to £12,000	Moderate Up to £5,600	Substantially ongoing £9,558 to £13,527

The higher level of compensation in Northern Ireland is attributed to the involvement of juries in assessing general damages up until 1987 whereas this was abolished in England and Wales more than 50 years earlier.

Compensation levels are now reviewed every six years by a Committee of judges, barristers and solicitors set up by the Lord Chief Justice. In the introduction to the third edition of the guidelines, Lord Justice Higgins emphasises that ‘the figures mentioned provide a range

43 Compensation converted to Sterling £1 = 1.23 Euro, Xe.com conversion, 3 September 2008

for the norm of that type of injury and consequence and are not "set in stone"<sup>44</sup>. It would seem timely to have a public debate on whether the benefits of higher compensation levels outweigh the detriment of the higher cost of insurance.

### Number of claims made by consumers in Northern Ireland

From the limited data available on the number of cars on the road<sup>45</sup> and the number of thefts<sup>46</sup> and accidents<sup>47</sup> in Northern Ireland there does not seem to be a significant differential when compared to Great Britain. Therefore, it seems unlikely that there is a higher incidence of claims.

Figures comparing the number of actual claims made in Northern Ireland with Great Britain are not available. It is possible that consumers here may be more likely to make a claim. A report into violent crime compensation shows that there is 'a greater propensity to apply for compensation in Northern Ireland, even though rates of violent crime per head of population in Northern Ireland are lower than those of England and Wales'<sup>48</sup>.

### Level of fraudulent claims

The ABI assert that the cost of insurance fraud in the UK is as much as £1.5 billion and that it adds another £5 to every £100 paid in insurance premiums.<sup>49</sup> The Insurance Fraud Bureau (IFB) was launched in July 2006 to share information across the industry in order to detect and prevent fraud. The Consumer Council asked the IFB to provide any statistics they have on the level of fraudulent claims in Northern Ireland compared to the rest of the UK and their comments on fraud detection measures in place in Northern Ireland. Neither the IFB nor the ABI were able to provide comment so it is not possible to assess whether the higher cost of

44 *Guidelines for the Assessment of General Damages in Personal Injury Claims in Northern Ireland*, March 2008, Judicial Studies Board

45 In 2006 there were 600 private and light goods vehicles per 1,000 of population in Northern Ireland compared to 637 per 1,000 in Great Britain. *Northern Ireland Transport Statistics 2006 – 2007*, Department for Regional Development and NISRA

46 There would appear to be fewer thefts of vehicles per head of population in Northern Ireland compared to other regions in the UK. *Department for Transport Regional Transport Statistics 2006 – 2007*, (adjusted for population), *Vehicle Crime GO Region and Country 1997/98 – 2006/07* and *Estimated resident mid-year population 1996 – 2006*

47 In 2006 there were 59 road traffic collisions per 10,000 vehicles in Northern Ireland compared to 59 per 10,000 in England, 50 per 10,000 in Scotland, and 51 per 10,000 in Wales. *Northern Ireland Transport Statistics 2006 – 2007*, Department for Regional Development and NISRA

48 In 2006 – 2007 the ratio of compensation applications to crimes of violence in Northern Ireland was one claim for every 6.6 crimes of violence while in Great Britain it was around one claim for every 19.8 crimes of violence. Victims of violent crime in Northern Ireland are thus three times more likely to apply for compensation than their counterparts in Great Britain. *Proposed Northern Ireland Criminal Injuries Compensation Scheme*, March 2008, NIO

49 *Submission to the Fraud Review*, April 2006, Association of British Insurers

## 6. Tackling the consumer detriment

insurance is linked to levels of fraud in Northern Ireland.

It is clear that there are problems with insurance for consumers in Northern Ireland. Changes are needed in the insurance marketplace alongside addressing the problem of consumer inertia and lack of financial capability. This will require coordinated action between the government, the insurance industry, the legal institutions, consumer representatives and consumers themselves. Our recommendations for areas of priority action are as follows:

### 1. Increase insurance uptake and financial inclusion

The worryingly low levels of uptake of appropriate insurance cover needs to be addressed. It is imperative that insurance products are simple to understand, easy to get and affordable for all consumers in order to increase financial inclusion and reduce financial hardship.

The Consumer Council will work in partnership with OFMDFM, the insurance sector and others to ensure that insurance products available here are accessible and affordable.

Partnerships should be established with organisations such as the Northern Ireland Housing Executive, housing associations, credit unions and charities to reach financially excluded consumers and to provide the necessary mechanisms for collecting premiums. Solutions such as Insurance with Rent schemes are now familiar and widespread in Britain.

The Consumer Council will represent the particular consumer needs to the ABI who have made the building of consumer confidence their top priority over the next three years. We will also advocate for more understandable, relevant and value for money insurance products with the FSA, the insurance industry regulator.

### 2. Promote shopping around and build financial capability

Empowered consumers have their part to play in making the insurance market here more competitive by shopping around and demanding better deals. Northern Ireland consumers are bottom of the league when it comes to being financially capable so effort will be required to build the skills, confidence and knowledge of all consumers, and particularly those who are uninsured, to understand the importance of having proper insurance cover and how to shop around to get the best deal.

The Consumer Council will work in partnership with OFMDFM and the members of the Northern Ireland Financial Capability Partnership to develop a coordinated programme. The aim would



be to increase the uptake of appropriate insurance cover for all consumers and to increase the levels of switching and shopping around.

The key messages for an awareness raising campaign will include:

- Explanations of the different types of insurance products;
- The risks of not being adequately insured;
- How to shop around to save money; and
- Raising awareness of what you can do to lower your own insurance costs.

### **3. Further insurance market investigation**

While our research identifies that consumers here have to pay more for insurance, it has not been possible to define the causes of the huge discrepancy in price. There are many suggestions as to why insurance in Northern Ireland costs more than elsewhere – the problem could lie with the practices of the insurance companies, the legal system, the way consumers buy insurance, consumer inertia or the postcode lottery or any combination of the above. A thorough follow-up investigation is needed to provide recommendations and potential actions to be taken to lower insurance costs for all consumers and particularly those who are vulnerable or disadvantaged.

The Consumer Council will work with the OFMDFM and other stakeholders including the FSA to make sure this investigation is undertaken and the necessary changes are made.

Changes must be delivered for consumers in the insurance marketplace but consumers must change too. The big message to consumers is that even now, despite the higher cost of insurance, consumers can feel confident that they can save money by shopping around for a better deal.



# Appendix I

## Methodology

The research required the identification of four localities within Northern Ireland that would act as controls. Of these, two were urban areas within Belfast and Derry and two were rural areas within Fermanagh and Newry and Mourne.

Eight regions within the rest of the United Kingdom were identified in order to enable a price comparison exercise to be completed across the range of insurance products. These were Scotland, North East England, North West England, Wales, the Midlands, East Anglia, South West England and London and South East England. Again, for each region, urban and rural areas were identified.

A number of regions were chosen to allow for a realistic comparison between areas with broadly similar economic and social characteristics.

As a further control, both low income and affluent areas within each locality were identified using Indices of Multiple Deprivation (IMD) statistics to ensure that the different localities were relative to each other, in terms of their score and ranking.

IMD statistics are the best identifiers of the relative level of deprivation or affluence in an area. A number of indicators that are chosen to cover a range of economic, social and housing issues are combined to give a single deprivation score for each small area in England, Wales, Scotland and Northern Ireland.

Similar Super Output Areas (SOAs) – local neighbourhoods with comparable population levels – were identified for low income areas and affluent areas in each of the nine regions. The SOAs were ranked relative to one another according to their level of deprivation. Actual postal addresses were obtained within each SOA through the Royal Mail website.

The figures are compiled slightly differently by each country but while it is not possible to exactly compare the different regions they are relative, for example, a highly deprived area in England is comparable to a highly deprived area in Northern Ireland. To ensure consistency SOAs were identified in the top 15 per cent of the most deprived and least deprived for each selected region.

The level of income deprivation within each of the regions was considered to ensure that areas were comparable in terms of household income characteristics. Figures 20 and 21 show the percentage of households within each of the SOAs that are considered to be income deprived.

Again, it is important to note that individual countries use slightly different methodologies for defining income deprivation. For example, the definition used in Northern Ireland is based on the proportion of households that are reliant on benefits such as income support, job

seekers allowance and family credit. Other countries prefer to use the proportion living on an income of 60 per cent of the median national income. However, despite these methodological differences, it is believed that the level of income deprivation is the best available method of ensuring consistency across regions.

**Figure 20: Proportion of income deprived households in each of the urban regions**

Urban area	Deprived area	Percentage income deprived	Affluent area	Percentage income deprived
Belfast	Ardoyne 2 (95GG02S2)	65.86%	Malone 2 (95GG33S2)	3.64%
Derry	Shantallow West 2 (95MM25S2)	64.70%	Culmore 5 (95MM13S5)	8.33%
Glasgow	Glasgow (S01003246)	64.70%	Glasgow (S01003110)	5.06%
Newcastle upon Tyne	Newcastle upon Tyne (028B)	63.91%	Newcastle upon Tyne (002B)	5.04%
Manchester	Manchester (018B)	64.01%	Manchester (043C)	12.14%
Cardiff	Cardiff (039C) (Ely1)	62.10%	Cardiff (029B) (Penylan 3)	4.10%
Birmingham	Birmingham (040A)	60.93%	Birmingham (006D)	5.39%
Norwich	Norwich (002F)	53.69%	Norwich (012D)	6.18%
Bristol	Bristol (011C)	60.53%	Bristol (024B)	4.59%
London	Enfield (030D)	56.15%	Enfield (017C)	4.85%

**Figure 21: Proportion of income deprived households in each of the rural regions**

Rural area	Deprived area	Percentage income deprived	Affluent area	Percentage income deprived
Co. Fermanagh	Devenish (95PP09W1)	43.93%	Ballinamallard (95PP01W1)	9.35%
Newry & Mourne	Crossmaglen (95VV09W1)	48.45%	Clonallan 2 (95VV07S2)	8.49%
Dumfries & Galloway	Galloway & Upper Nithesdale (Kilconnel) (S01001088)	35.85%	Galloway & Upper Nithesdale (Dalbeattie-Craignair, Dalbeattie-Milton)	7.12%
Northumberland	Wansbeck (001C)	52.97%	Wansbeck (008C)	6.54%
Cumbria	Allerdale (005B)	55.51%	Allerdale (007A)	6.60%
Gwynedd	Gwynedd (006C)	48.50%	Gwynedd (001E)	4.60%
Staffordshire	East Staffordshire (009A)	46.68%	East Staffordshire (012A)	5.06%
Waveney	Waveney (002A)	52.78%	Waveney (014C)	6.02%
Devon	Mid Devon (004D)	37.86%	Mid Devon (006C)	5.00%
Oxfordshire	Cherwell (005A)	38.99%	Cherwell (013C)	5.12%

## Development of detailed scenarios

Once the localities and postal addresses had been finalised, detailed scenarios were produced for each insurance product that were appropriate for the two types of consumers from low income and affluent backgrounds. These took into account the questions required by the chosen price comparison website **www.moneysupermarket.com**

At this stage, it was determined that only car, contents, buildings and medical insurance used location as a factor when determining online quotations.

The information used for each scenario was consistent throughout each insurance product in order to provide a solid basis for comparison. However specific alterations (where applicable) for the required factors such as age, gender, dependants, marital status and health were incorporated.

## Online price comparison

The different scenarios for each insurance product affected by location were input separately within the online price comparison website **www.moneysupermarket.com** to produce individual quotations.

The following data was collected for each of the scenarios:

- The number of insurance companies;
- The number of companies providing a quotation and the number of companies not providing a quotation; and
- The cheapest, the most expensive and the median premium.

In all, 6,000 online comparisons were undertaken.

A telephone survey involving the major insurance companies was also undertaken to test the findings from the web-based comparisons.

## **Methodology for the IPSOS Mori survey**

The Financial Inclusion Centre commissioned IPSOS Mori to undertake a survey across Northern Ireland. The survey was designed to establish coverage of insurance in Northern Ireland, coverage among different consumer cohorts and consumer behaviour.

Fieldwork was conducted in March 2008. The sample size was 1,015 and was designed to reflect the population of Northern Ireland. The results were broken down according to age, social class, income, gender, family status, housing tenure, employment status and Northern Ireland regions.

## Appendix II

### Members of the Financial Capability Partnership

The Northern Ireland Financial Capability Partnership brings together the Consumer Council, Financial Services Authority, government, banks, building societies, credit unions, education and community organisations to ensure that we all help consumers to manage their money and make it work best for them.

Members include:

Adult Finance Learners Project (AFLP)  
Advice NI  
Age Sector Platform  
Association of Northern Ireland Colleges (ANIC)  
Bank of Ireland  
Business in the Community  
Citizens Advice NI  
Consumer Credit Counselling Service (CCCS)  
Council for the Curriculum Examinations and Assessments (CCEA)  
Educational and Guidance Service for Adults (EGSA)  
Financial Services Authority (FSA)  
First Trust Bank  
Irish League of Credit Unions (ILCU)  
Nationwide Building Society  
Northern Bank  
Northern Ireland Committee, Irish Congress of Trade Unions  
Northern Ireland Council for Voluntary Action  
Northern Ireland Courts Service  
Northern Ireland Housing Executive  
Omagh Independent Advice Services  
Personal Finance Education Group (Pfeg)  
Progressive Building Society  
Queen's University Belfast Students' Union  
The Consumer Council  
The Office of First Minister and deputy First Minister  
Ulster Bank  
Ulster Federation of Credit Unions  
University of Ulster Students' Union  
Youth Sector Representative





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